

1 **REBUTTAL TESTIMONY OF**
2
3 **JULIUS A. WRIGHT**

4
5 **I. INTRODUCTION AND SUMMARY**
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8
9 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**
10 **ADDRESS.**

11 **A.**Julius A. Wright, President, J. A. Wright & Associates, Inc., 3067
12 Loridan Way, Atlanta, Georgia 30339.

13 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

14 **A.**I am a consultant to regulated utilities and public bodies on issues
15 related to economics, economic modeling, regulatory policy, and industry
16 restructuring. In this docket I am testifying on behalf of South Carolina
17 Electric & Gas Company (“SCE&G” or the “Company”).

18 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
19 **EXPERIENCE.**

20 **A.**I received an undergraduate degree from Valdosta State College (BS
21 Chemistry), an MBA in Finance from Georgia State University, and a
22 Master’s and Ph.D. in Economics from North Carolina State University,
23 where I focused on regulatory and environmental economics. Among other

1 past experiences, I served as a Commissioner on the North Carolina
2 Utilities Commission from 1985 to 1993. I am currently President of J. A.
3 Wright & Associates, Inc., a consulting firm that specializes in gas, electric
4 and telecommunications regulatory issues.

5 Over the past 11 years, I have dealt extensively with electric and
6 natural gas restructuring issues focusing on strategies for dealing with the
7 transition to competitive markets. In this context, I have testified before
8 regulatory commissions and legislative bodies, presented studies and
9 authored reports on issues related to restructuring, and I have been a guest
10 speaker on restructuring issues at the Bonbright Conference, other
11 seminars, and at the Georgia Institute of Technology. I have also made
12 presentations on performance based ratemaking and testified as an expert
13 witness on a wide range of issues including issues related to performance
14 based ratemaking and to the cost of equity.

15 More recently, I was one of three economists engaged by the
16 California State Auditor to examine the problems that led to that state's
17 recent electric energy crisis. Furthermore, in the last four years I have
18 worked with several utilities on the most effective way to reorganize
19 transmission assets from both a business/marketplace structure and

1 financial structure, while accommodating the Federal Energy Regulatory
2 Commission's ("FERC's") transmission policies. See EXHIBIT___ (JAW
3 – 1) for additional details on my background.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 **A.** The purpose of my testimony is to rebut several of the issues raised
6 in the direct testimony of Columbia Energy, LLC witness, Dr. David E.
7 Dismukes. Contrary to the recommendations in Dr. Dismukes' testimony,
8 this Commission has fully litigated the question of whether the Jasper Plant
9 is properly sized. The benefits to South Carolina customers of the 875 MW
10 plant, as supported by the NCEMC sale, have been definitively established.
11 To the extent Dr. Dismukes testifies to the contrary, he is misinterpreting
12 the orders issued by the Commission related to this plant. Taking part of
13 Jasper out of retail rate base, as Dr. Dismukes suggests, will upset the
14 established generation siting process. It will likely injure native load
15 customers by denying them the cost savings that this high-efficiency plant
16 provides over the long term.

17 **Q. HOW IS THE REMAINDER OF YOUR TESTIMONY**
18 **ORGANIZED?**

19 **A.** The remainder of my testimony is organized into two sections, each

1 section addressing the issues mentioned below:

- 2 1. Dr. Dismukes' attempt to relitigate matters that this
3 Commission considered and decided in the proceedings that
4 authorized SCE&G to construct the Jasper Plant and in so
5 doing, subvert the regulatory procedures with regard to
6 generation planning and plant siting.
- 7 2. The flaws and dangers in Dr. Dismukes arguments with
8 regard to disallowing a part of Jasper's capacity and assigning
9 this capacity to the wholesale market.

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12 **II. THE REGULATORY PROCESS FOR GENERATION SITING**

13
14 **Q. WHAT IS THE GOAL OF THE GENERATION SITING PROCESS**
15 **IN SOUTH CAROLINA?**

16 A. The goal of the siting process is to ensure that regulators, utilities,
17 and the general public are involved at the front end of the generation
18 planning process so that they can ensure that a utility's demand forecast and
19 its related supply plan are reliable, practical and cost effective before it is

1 implemented. This process is well-defined in South Carolina and other
2 states and has worked well for years. It is specifically structured to ensure
3 that all parties have the opportunity to raise concerns about a utility's
4 generation plan at the earliest possible stage, long before construction of a
5 new plant is undertaken.

6 That is the important point here. Dr. Dismukes' proposals conflict
7 with the fundamental purpose of this process which is intended to require
8 that basic concerns be raised before plants are built.

9 **Q. PLEASE DESCRIBE THE STEPS IN THE SITING OF A**
10 **GENERATING FACILITY IN SOUTH CAROLINA.**

11 A. Over 30 years ago, South Carolina adopted the Utility Facility Siting
12 and Environmental Protection Act (the "Siting Act"). This act, as amended
13 over the years, and supplemented by the Commission's Integrated Resource
14 Plan ("IRP") process, fundamentally requires two things:

- 15 • First, utilities must file updated capacity and IRP plans annually.
16 These plans show the utility's forecasted loads, generation needs,
17 and construction plans well into the future.
- 18 • Second, utilities must obtain pre-certification before constructing
19 new generation plants by demonstrating the need for the plant

1 and the fact that the plant represents the most effective way of
2 meeting that need.

3 **Q. PLEASE DESCRIBE THE ANNUAL IRP PROCESS REQUIRED BY**
4 **THIS COMMISSION.**

5 A. Pursuant to Commission Order No. 92-1002, SCE&G must file an
6 IRP each year. The statutory definition of an IRP is quite explicit:

7 *"Integrated resource plan" means a plan which contains the demand*
8 *and energy forecast for at least a fifteen-year period, contains the*
9 *supplier's or producer's program for meeting the requirements*
10 *shown in its forecast in an economic and reliable manner, including*
11 *both demand-side and supply-side options, with a brief description*
12 *and summary cost-benefit analysis, if available, of each option*
13 *which was considered, including those not selected, sets forth the*
14 *supplier's or producer's assumptions and conclusions with respect to*
15 *the effect of the plan on the cost and reliability of energy service,*
16 *and describes the external environmental and economic*
17 *consequences of the plan to the extent practicable. For electrical*
18 *utilities subject to the jurisdiction of the South Carolina Public*
19 *Service Commission, this definition must be interpreted in a manner*
20 *consistent with the integrated resource planning process adopted by*
21 *the commission.*

22
23 S.C. Code Ann. §58-37-10.

24 Through the IRP process, SCE&G's 20 year load forecasts,
25 projected generation requirements and current plans for meeting those
26 requirements are a matter of public record, updated annually, and subject to
27 hearings that may be held by this Commission. No one in South Carolina

1 can complain of surprise or lack of opportunity to be heard concerning a
2 regulated utility's generation plans.

3 **Q. PLEASE DESCRIBE THE PLANT CERTIFICATION PROCESS**
4 **CONTAINED IN THE SITING ACT.**

5 **A.** The certification process in the Siting Act deals explicitly with what
6 a utility must do when it identifies the need for major new generation
7 facilities. Under the Act, before the utility may begin construction of any
8 major new facility, it must obtain a certificate of environmental compliance
9 and need from this Commission. S.C. Code Ann. §58-33-120. Under this
10 statute, a utility must prepare and serve a Siting Act application on all
11 interested public bodies and publish newspaper notices of the application
12 for the benefit of the public. S.C. Code Ann. §58-33-120. The application
13 must identify the new facility and include information establishing the
14 necessity for it.

15 In the resulting proceeding, sometimes called a Siting Act hearing,
16 issues are litigated concerning the facility's size, the load growth forecasts
17 supporting the need for that size of a facility, the facility's location, its fuel
18 type, its capital and operating costs as compared to other alternatives,
19 environmental considerations and other factors.

In Siting Act proceedings, potential intervenors, such as Columbia Energy, LLC, have the opportunity to conduct discovery, to present witnesses and to present competing alternatives for meeting the generation need. The Commission then takes the evidence presented in such a hearing and decides whether the proposed generating facility should be constructed as proposed or not. Intervenors have full rights to petition for rehearing if they disagree with the Commission's final order in any such proceeding and to appeal to the courts if they believe the Commission's decision are not legally supportable.

**Q. WHAT MUST THE COMMISSION FIND CONCERNING THE
NEED FOR A PLANT BEFORE AUTHORIZING
CONSTRUCTION?**

A. The Siting Act specifically requires that the Commission allow the construction of the facility to proceed only if it finds, among other things, after hearing:

(a) *The basis of the need for the facility.*

(d) That the facilities will serve the interests of system economy and reliability.

(f) That public convenience and necessity require the construction of the facility

1
2 S.C. Code Ann. § 58-33-160.

3 **Q. WHAT OBLIGATIONS DO UTILITIES HAVE IN THIS PROCESS?**

4 A. Utilities bear the burden of proof to demonstrate that the proposed
5 facility is needed, that it is properly sized, that it is properly located, that it
6 uses the proper fuel, and in general, that it is the most cost effective,
7 reliable alternative for supplying the State's projected electric needs. In
8 addition, the utilities must present a plan with a time horizon sufficient to
9 allow proper planning. SCE&G's IRP planning process employs a 20 year
10 planning horizon.

11 **Q. WHY DO REGULATED ELECTRIC UTILITIES HAVE THIS**
12 **OBLIGATION TO PLAN FUTURE GENERATION NEEDS SO FAR**
13 **IN ADVANCE?**

14 A. Utilities have this responsibility because they have an obligation to
15 meet the electricity demands all customers in their service territory, both
16 now and in the foreseeable future. This is often referred to as the obligation
17 to serve. In contrast, an unregulated business has the freedom to decide
18 whether or not it will invest in capacity to serve future demand. Given that
19 a utility has this obligation to serve demand in its territory as it grows, it
20 also has the duty to forecast demand and to prepare plans to meet new

1 demand into the foreseeable future.

2 **Q. PLEASE DISCUSS THE NEED FOR FRONT END REGULATORY**
3 **REVIEW OF THESE PLANS.**

4 A. Regulators and the public have a duty in the IRP and Siting Act
5 process to review the utility's forecasts and plans, and to raise any
6 questions or objections that they may have concerning those plans while
7 decisions to buy or build can still be modified. The planning and
8 construction of new generation resources have long lead times; four to ten
9 years are not uncommon. Furthermore, obtaining new generation resources
10 routinely involves financial commitments by the utility in the hundreds of
11 millions of dollars. Finally, these generation facilities are designed to
12 supply power for upwards of forty years, so the impact of these decision on
13 the system are long term. For all these reasons, it is important that concerns
14 or objections to generation plans be raised early in the process before a
15 Siting Act certificate is issued and major commitments have been made.
16 The regulatory process has been structured so that regulators and the public
17 would have the opportunity --and the obligation-- to raise objections to new
18 plants before construction began.

19 **Q. HOW DO THESE ISSUES RELATE TO THE PROPOSALS IN DR.**

1 **DISMUKES' TESTIMONY?**

2 A. One of the most damaging things that can happen in this siting
3 process is for regulators to allow plant siting approvals to be second-
4 guessed based either on hindsight, or as in Dr. Dismukes' case, based on
5 arguments that parties choose to raise after the siting process --and even
6 after the construction-- have been completed. Dr. Dismukes' approach
7 subverts a fundamental purpose of the Siting Act by inviting the
8 Commission to condone parties waiting to raise issues concerning the size
9 or configuration of plants until after plants are built.

10 **Q. WHAT PROCEEDINGS TOOK PLACE WITH REGARD TO THE**
11 **JASPER PLANT?**

12 A. I have reviewed the Commission's docket files and they indicate that
13 the Company filed its Jasper Siting Application in October of 2001. The
14 Company provided public notice of the application, and the hearing in that
15 proceeding took place on December 3, 2001.

16 **Q. DID COLUMBIA ENERGY OR ITS PREDECESSOR COMPANY**
17 **HAVE THE OPPORTUNITY TO MAKE THEIR COMPLAINTS**
18 **KNOWN IN THE SITING HEARING?**

19 A. Yes. However, Columbia Energy did not intervene or otherwise

1 take part in the Jasper Siting Act proceedings.

2 **Q. ARE YOU AWARE OF ANY REASON WHY COLUMBIA ENERGY**
3 **COULD NOT HAVE PRESENTED ITS ARGUMENTS ABOUT THE**
4 **JASPER FACILITY IN THE 2001 PROCEEDING?**

5 A. I am aware of no reason that these arguments could not have been
6 presented in 2001, and Dr. Dismukes has presented none. I would note that
7 the Siting Act application for the Columbia Energy facility (located in
8 Calhoun County, South Carolina) was filed on September 22, 2000, nearly
9 a year before the Jasper filing. In other words, when the Jasper siting case
10 was heard on December 3, 2001, Columbia Energy or its predecessor
11 company had already demonstrated that it understood the Siting Act law
12 and procedure in South Carolina and had the knowledge and ability to
13 participate in a Siting Act hearing if it so chose.

14 **Q. WAS THE SPECIFIC ISSUE OF THE PROPER SIZE OF THE**
15 **JASPER FACILITY LITIGATED IN THE JASPER SITING**
16 **PROCEEDING?**

17 A. Yes it was. Dr. Dismukes himself makes reference to the testimony
18 and exhibits that Dr. Lynch provided in the Jasper Siting Act Docket which
19 specifically substantiate the Company's decision to build the Jasper facility at

1 875 MW and support the additional capacity through the 250 MW capacity
2 and energy sale to NCEMC.

3 **Q. SHOULD THE SIZE OF THE JASPER FACILITY AND RELATED**
4 **MATTERS BE ISSUES IN THIS PROCEEDING?**

5 **A.** Absolutely not. Dr. Dismukes is seeking to relitigate issues that
6 were directly and affirmatively addressed in the earlier proceeding. The size
7 (or megawatt capacity) of the Jasper generating facility was thoroughly
8 investigated in Docket No. 2001-420-E and questioned during the hearings in
9 that proceeding. So too was the issue of the Company's forecasted load
10 growth, its reserve margin, and the role the entire Jasper facility would play
11 in meeting those needs. Finally, the issues related to the cost of the Jasper
12 plant, the related economies of scale by building three units rather than two,
13 and the costs of alternative proposals were also explored in the earlier
14 proceedings. On each issue, the Commission found in favor of the
15 Company's proposal to build an 875 MW Jasper facility supported by a 250
16 MW sale to NCEMC. In fact, quoting from that Order this Commission
17 found the following on these issues now being raised by Dr. Dismukes:

18 *The Company clearly demonstrated the need for the*
19 *facility...and the facility is needed to meet the requirements of the*
20 *Company to reliably serve native load. Further, an 875 MW facility*
21 *allows for economies of scale resulting in incremental capacity costs*

1 *of approximately 60 percent of the cost of base capacity...An 875*
2 *MW facility is within the demand forecast error bounds of the 2001*
3 *IRP, and promotes increased reliability within the Company's*
4 *territory...Further, we find and conclude that the Company's*
5 *decision-making process, which considered, but rejected purchased*
6 *power, was adequate and prudent.*

7
8 Order No. 2002-19, page 11, 12.

9 It is clear from this Order that the Commission fully anticipated the
10 need for Jasper and implicitly found that if it was constructed as planned, it
11 would be used and useful in supplying electric service to the Company's
12 native load customers at the 875 MW level.

13 **Q. WHAT OPPORTUNITY HAS THE COMMISSION HAD TO**
14 **REAFFIRM THESE FINDINGS?**

15 **A:** These same findings were reiterated just 18 months ago in the
16 Company's last rate case in Order No. 2003-38. In that Order, this
17 Commission reiterated its belief that the Jasper facility was properly sized,
18 provided economies of scale, and would provide benefits to native load
19 customers – all comments reinforcing the plants' projected used and
20 usefulness. Yet today, Dr. Dismukes wants to re-litigate each of these
21 findings.

1 **Q. HOW DO YOU RESPOND TO DR. DISMUKES' CLAIM THAT A**
2 **LARGE PORTION OF JASPERS' GENERATING CAPABILITY**
3 **HAS NOT BEEN FOUND USED OR USEFUL?**

4 **A.** The used and useful standard basically says that public utilities are
5 entitled to recover the prudent cost of an investment when that investment
6 is used and useful in providing utility service. The approvals given in the
7 Siting Act order (Order No. 2002-19) and in the recent rate proceeding
8 order (Order No 2003-38) clearly demonstrate that the Commission has
9 found multiple benefits to current rate payers from the decision to build
10 Jasper as an 875 MW unit in conjunction with a 250 MW sale to NCEMC.
11 These benefits include economies of scale, construction economies, fuel
12 efficiencies, benefits to the transmission system, the avoidance of the need
13 to construct new generation in the 2006 time period and long-term cost
14 savings to customers.

15 It is clear from the language in these orders that this Commission has
16 found that the Jasper facility, once operational, would be used and useful to
17 retail customers and ruled affirmatively with regard to the size of the Jasper
18 Plant.

1 **Q. WHAT ABOUT DR. DISMUKES' CLAIM THAT THIS**
2 **COMMISSION, IN THE LAST RATE ORDER NO. 2003-38, DID**
3 **NOT MAKE A RULING ON THE USED AND USEFUL PORTION**
4 **OF THE PLANT NOT INCLUDED IN CWIP (42 PERCENT OF THE**
5 **PLANT)?**

6 **A.** Dr. Dismukes simply misreads the order. He apparently is reading
7 from page 33 of the Order and that discussion on used and useful.
8 However, that discussion is specifically related to the question of whether
9 CWIP can be considered used and useful. The argument against such a
10 finding was that the plant was not yet operational, so how could CWIP
11 costs have been included in rate base since the plant could not have been
12 used at the time? However, as the Order states, notwithstanding the fact
13 that the plant was still under construction, South Carolina law allows CWIP
14 to be placed into rate base regardless of this used and useful argument.

15 **Q: BASED ON YOUR EXPERIENCE AND EXPERTISE, WHAT**
16 **EFFECT SHOULD THIS COMMISSION GIVE ITS SITING**
17 **ORDERS?**

18 **A.** Generally speaking, a Siting Order provides a utility a "green light"
19 to proceed with building a proposed facility. This does not mean that a

1 Commission has pre-approved the costs related to such a facility since
2 actual costs are not fully known at that time, but it does mean the size of the
3 facility, its location, its fuel type, and its construction schedule (or timing)
4 are approved and are not ordinarily subject to further review.

5 As for costs, a Siting Order would generally mean that if the
6 proposed facility is built in a timely manner, if it meets the engineering
7 criteria with regard to operations, and if its actual construction costs are
8 reasonable, then the costs of the facility would be fully recoverable in rates.
9 On the other hand, if a project's actual costs were unreasonable, if there
10 were several years delay in completion, or if the plant did not meet its
11 design criteria, then such issues could be examined in determining the
12 prudence of the plant as constructed.

13 With regard to the Jasper facility, it has been built on time, at a
14 reasonable cost, and it fully meets its design criteria. Also, this Commission
15 in very direct, clear, and straight-forward language determined that the
16 Company's proposed Jasper facility was appropriately sized and needed to
17 meet the Company's future requirements. I can see no reason why the
18 Company's costs should not be fully recoverable, consistent with general
19 regulatory principles.

1 **Q. WHAT WOULD HAPPEN SHOULD THIS COMMISSION ADOPT**
2 **DR. DISMUKES' CLAIM THAT 42 PERCENT OF THE JASPER**
3 **FACILITY IS NOT USED OR USEFUL AND THE COST SHOULD**
4 **BE DISALLOWED AT THIS TIME?**

5 **A.** Such a finding would put any future generation additions in South
6 Carolina in jeopardy and the related planning process in turmoil. Basically,
7 investors and the utility would have no assurance that Commission orders
8 regarding future generating facilities have any meaning or validity. This
9 does not mean that the Commission could not question the prudence of
10 costs related to such a facility, particularly if there were excessive
11 construction delays or cost overruns. However, if any party can simply
12 come in years after the fact and claim a recently completed, prudently sized
13 and sited facility, or even a recent purchase power agreement, are no longer
14 used and useful, then I have to wonder who would finance future
15 generation expansion in South Carolina. Indeed, the current regulatory
16 procedures with regular load forecast hearings, integrated resource
17 planning, and siting orders are all designed to eliminate second guessing
18 and thereby benefit both customers and the Company by providing timely

1 review of the type, size, and cost effectiveness of power supply decisions
2 before construction takes place.

3 **Q. WHAT DO YOU RECOMMEND THE COMMISSION DO IN THIS**
4 **CASE?**

5 **A.** I recommend that the Commission rule that the issues raised by Dr.
6 Dismukes were in fact decided in prior dockets and are not properly
7 relitigated here.

8
9 **III. THE PROPOSAL TO REMOVE A PORTION OF JASPER FROM**
10 **RATE BASE IS WRONG**

11
12 **Q. IF THE COMMISSION WERE TO ACCEPT DR. DISMUKES**
13 **RECOMMENDATION AND DISALLOW 42 PERCENT OF THE**
14 **JASPER FACILITY COSTS, DO YOU AGREE WITH DR.**
15 **DISMUKES THAT THIS CAPACITY WOULD STILL BE**
16 **AVAILABLE TO SOUTH CAROLINA RATE PAYERS IN A FEW**
17 **YEARS (TESTIMONY, PAGE 25, LINES 21-23)?**

18 **A.** I disagree. SCE&G proposed building the Jasper Plant at 875 MW
19 precisely because the additional capacity would benefit customers through

1 lower costs over a 20 year planning horizon. Dr. Lynch's rebuttal
2 testimony confirms this. The Commission has affirmed this decision twice,
3 and nothing Dr. Dismukes has presented has put the fact of these cost
4 savings into question.

5 Dr. Dismukes proposes instead that the Commission now force a
6 major part of Jasper capacity onto the open market where it would no
7 longer be committed to serving native load customers. This proposal puts
8 at risk the long-term savings that the additional capacity Jasper represents
9 for native load customers. In place of those savings, Dr. Dismukes would
10 substitute the uncertainty of future wholesale markets. If Dr. Dismukes'
11 proposal is adopted, there is no guarantee that this Jasper capacity at issue
12 would not be sold off into states with higher electric prices than South
13 Carolina, and in the long term never benefit SCE&G's customers.

14 **Q: WHO WOULD BENEFIT FROM SUCH A PROPOSAL?**

15 **A.** I would assume that Dr. Dismukes' client would benefit. But his
16 proposal is not in the long-term best interest of SCE&G's customers.
17 Simply put, his client made a bad business decision in deciding to build a
18 major plant without first securing customers to buy the electricity it would
19 generate. Now it would appear that his client has one primary interest --to

1 create a market for this electric capacity that has been built with no
2 customers who need or want it. The Commission should recognize that in
3 an attempt to create such a market, Dr. Dismukes would sacrifice the long-
4 term benefits that the 875 MW Jasper plant represents to SCE&G's native
5 load customers. His proposal may be in the interests of Columbia Energy
6 and Calpine, but I do not believe it is not in the long-term interest of
7 SCE&G's native load customers.

8 **Q. IN ANOTHER ARGUMENT, DR. DISMUKES HAS STATED THAT**
9 **THE JASPER FACILITY "RESULTS IN EXCEPTIONALLY**
10 **LARGE RESERVE MARGINS THAT ARE UNNEEDED..." DO**
11 **YOU AGREE?**

12 **A.** I disagree. I have already discussed the Siting Order and the last rate
13 case Order, both of which found the size of the Jasper facility to be
14 appropriate. In both cases, the Commission was well aware of the
15 Company's forecasted reserve margin. However, Dr. Dismukes cites the
16 reserve margin target of 12 – 18 percent and apparently holds this as
17 sacrosanct. In fact, because of the nature of generation additions, electric
18 utilities can exceed their targeted reserve margins for some period of time.

1 These targets margins are targets only, and when new plants are added, they
2 will at times be exceeded.

3 As a commissioner who sat through the proceedings in North
4 Carolina to bring several nuclear units into rates in the 1980s, I see nothing
5 out of the ordinary at all about the sort of temporary bump up of reserve
6 margins that the Jasper Plant reflects for SCE&G. In fact, the resulting
7 reserve margins are quite small in comparison to what was common during
8 that time. In this case, the highest capacity reserve SCE&G will experience
9 will be 19.8% in 2004, and below 18% thereafter as shown in Mr. Lynch's
10 rebuttal testimony.

11 Moreover, as this case demonstrates, customers may benefit from
12 long-term cost savings when utilities can capture economies of scale in
13 siting new plants. Where the utility's siting studies show that there will be
14 cost savings to customers from building a larger plant, regulation should not
15 discourage a utility from doing so simply because the target reserve margin
16 will be exceeded for a short period of time. This is particularly true in a case
17 such as this, where the Company has gone to the market and successfully
18 placed 350 MW of capacity and has thereby reduced the reserve margins to
19 levels within a percentage point or two of the target. The purpose of the

1 Siting Act proceeding is to allow utilities to build new capacity that is as
2 reliable and cost effective as possible for customers over the long term.

3 **Q: DOES THAT CONCLUDE YOUR TESTIMONY?**

4 **A. Yes.**

EXHIBIT ____ (JAW-1)

JULIUS A. WRIGHT, PH.D.

Julius A. "Chip" Wright is the President of J. A. Wright and Associates, 4705 Ponte Vedra Drive, Marietta, GA, 30067; 770-951-0894; jawright@mindspring.com.

Experience Overview

Prior to starting his firm, Dr. Wright was a Client Partner for AT&T Solutions Utilities and Energy Practice and before that a Principal in EDS' Management Consulting Services. Dr. Wright has been consulting electric gas, and telephone utilities on regulation, economics, rates, production modeling and strategic planning for the past three years. Prior to this Dr. Wright served an eight-year term as a Utility Commissioner for the state of North Carolina. Prior to that he served three terms in the North Carolina State Senate while he was a senior project engineer for Corning Glass Works on their optical wave guide project in Wilmington, North Carolina. He has a total of 14 years' government-related experience, 12 years' plant-related engineering experience, and he has established two companies.

While serving on the North Carolina Utility Commission, he served four years on the National Association of Regulatory Utility Commissioners (NARUC) Electricity Committee. He has served in various other advisory capacities, including the Keystone Committee on Externalities; the North Carolina Radiation Protection Committee, and on an Oversight Committee for a joint North Carolina/New York/ Department of Energy (DOE) project.

Dr. Wright has also served on the Southern States Energy Board Task Force on Restructuring the Electric Utility Industry.

Electric Competition Natural Gas, and Regulatory Strategy

- "Energy Deregulation," March 2001, report of the California State Auditor on the causes of the problems related to high electric prices and blackouts (from May, 2000 through June 2001, and ongoing) in California's restructured electric marketplace. Dr. Wright was one of three consultants who essentially researched and prepared the State Auditor's report.
- Principal author with Dr. Al Danielsen of "*Reliability of Electric Supply In Georgia*," published by The Bonbright Utilities Center, University of Georgia, June, 2001.
- Presented testimony before the North Carolina Public Utilities Commission on behalf of SCANA Corporation regarding issues related to market power in its merger with Public Service Company of North Carolina, Docket No. G-5, Sub 400; G-3, Sub 0.
- Was the principal author of a report and investigation titled "*An Analysis of Commonwealth Edison's Planning Process For Achieving Reliability of Supply*," which was an investigation of the Company's planning process to meet its statutory obligation for supplying electricity as Illinois transitions to a competitive retail electric market, Illinois Commerce Commission Docket No. 98-0514.
- Co-authored a national study that used computer modeling techniques to quantify the impact of electric competition on the aggregate economy in each of the 48 continental United States.
- Presented testimony to Louisiana Legislative Committee on behalf of Entergy Corporation regarding the various regulatory and technical issues that need to be addressed in the transition to competition.
- Presented testimony For Virginia Power with regard to its transition to competition plan.
- Testified before the Mississippi Public Service Commission on issues related to the establishment of retail electric competition, including ISO establishment, regional power exchanges, legislation, taxes and regulatory policies.
- "Energy Deregulation," March 2001, report of the California State Auditor on the causes of the problems related to high electric prices and blackouts (from May, 2000 through June 2001,

JULIUS A. WRIGHT, PH.D.

- Presented testimony for Entergy Corp. in both Louisiana and Arkansas in support of its transition to competition filing.
- Worked with three major southeastern utilities on developing business and regulatory strategy as they prepare for competition.
- Filed a report with the South Carolina Legislature that studied the impact of electric competition on the state of South Carolina.
- Was a panelist on a Southern Gas Association national televised forum on performance based regulation for the natural gas industry.
- Was the lead policy witness for South Carolina Electric and Gas on obtaining regulatory approval to transfer depreciation reserve from a nuclear plant to T&D depreciation reserve. This is a critical issue in preparing for competition and limiting stranded investment.
- Developed regulatory and marketing strategy for ENTERGY with regard to its telecommunications initiatives. In these efforts he worked with the EDS Telecommunications Consulting Group.
- Led an analysis of the prudence of Central Vermont Public Service Company's power and resource acquisitions over a five year period. The prudence of this utility's power supply strategy was under investigation in a rate case proceeding. Dr. Wright's team filed testimony supporting the Company and their efforts were instrumental in undermining the charges of imprudence brought by the Company's opposition.
- Developed an EDS intra-company task force to address the issues related to FERC's Transmission NOPR. This task force subsequently filed three responses to FERC's Open Access NOPR which provide a basis for EDS to maintain a leadership position as the electric utility industry undergoes restructuring to a competitive market.
- Helped develop a regulatory strategy and presented testimony on behalf of South Carolina

Pipeline. In this case, an economic analysis prepared by Dr. Wright and Dr. Frank Cronin (from EDS Economic Planning and Analysis Consulting Group) was presented along with recommendations. Their analysis and recommendations were generally accepted by the Commission staff.

Resource Planning & Economic Analysis

As a Commissioner he has been involved in a variety of resource planning issues including chairing the last North Carolina Resource Planning hearing that involved Duke Power Company, Carolina Power and Light, Virginia Power Company and the North Carolina Electric Membership Corporation.

He was also selected by the states of North Carolina and New York and the Department of Energy to be one of five representatives on a peer review panel overseeing a Resource Planning project being conducted by the Oak Ridge National Laboratories.

In addition to these initiatives Dr. Wright has:

- Was the principal author of a report and investigation titled "*An Analysis of Commonwealth Edison's Planning Process For Achieving Reliability of Supply*," which was an investigation of the Company's planning process to meet its statutory obligation for supplying electricity as Illinois transitions to a competitive retail electric market, Illinois Commerce Commission Docket No. 98-0514.
- Was the lead policy witness for South Carolina Electric and Gas on obtaining regulatory approval to transfer depreciation reserve from a nuclear plant to T&D depreciation reserve. This is a critical issue in preparing for competition and limiting stranded investment.
- Was instrumental in acquiring a large engagement for a major southeastern utility examining their competitive position as it relates to a competitive electric market. During the engagement he provided input and guidance on regulatory issues related to the deregulation of the electric industry.

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- Assisted Carolina Power and Light Company in their integrated resource planning process by advising and facilitating a Commission directed public policy panel.
- Developed an overview of Niagara Mohawk Gas' integrated resource planning efforts. This engagement was under a contract from Oak Ridge National Laboratories.

Cost of Service, Rate Design, Forecasting

While serving more than eight years on the North Carolina Commission, Dr. Wright was involved in several cost of service and rate design analyses, testimonies, and orders. This included work in electric, telephone, gas, and water utilities. Additionally, he has presented testimony on performance based ratemaking and he has been involved in analyzing electric utility forecasting models, including end-use models, regression analysis (both linear and nonlinear) and customer discrete choice modeling forecasts. Furthermore, Dr. Wright's Ph.D. is in environmental and regulatory economics with special research into nonlinear minimal cost optimization procedures for electric utility production models. This work included optimizing investments, optimal regulatory regimes, pricing, cost recovery, and rate of return issues.

In addition, he has:

- Provided an economic analysis of the proper regulatory regime for South Carolina Pipeline Company. In this analysis he presented testimony supporting performance based rate making and his recommendations were generally accepted by the Commission staff.
- Developed forecasted rates for two New York state utilities. These rates were developed to support a bond filing by a cogenerator.
- Provided a forecast of power payments from New York State Electric and Gas (NYSEG) to two independent power producers (IPPs). This forecast was used to estimate the level of overpayments by NYSEG to these IPPs, under PURPA regulations, which he used in a filing

before FERC supporting the company's claim of unlawful overpayments.

Telecommunications

As a Commissioner he has regulated all types of telecommunications providers for eight years. In addition, he has worked with two electric utilities in strategy formulation in regard to their entering the telecommunications business. Furthermore, he has eight years experience as a fiber optic engineer.

Other Areas of Expertise

Prior to joining EDS, he worked for eight years as a senior process engineer for Corning Glass in the design and production of optical waveguides (or fiber optics). Prior to that he worked for four years in the chemical industry as a process chemist and later as a senior project engineer. He has done work in environmental monitoring, process and product improvement, plant utilization, as well as starting and selling two successful companies – one in the financial leasing business and the other in the entertainment industry.

Presentations and Publications

"Energy Deregulation," March 2001, report of the California State Auditor on the causes of the problems related to high electric prices and blackouts (from May, 2000 through June 2001, and ongoing) in California's restructured electric marketplace. Dr. Wright was one of three consultants who essentially researched and prepared the State Auditor's report.

"Low Cost States and Electric Restructuring - The Issue is the Price!" presented to the 1999 Miller Forum on Government, Business and the Economy, University of Southern California, April 19, 1999.

An Analysis of Commonwealth Edison's Planning Process For Achieving Reliability of Supply, Illinois Commerce Commission Docket No. 98-0514.

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The Impact of Competition on the Price of Electricity, author, published by L. A. Wright and Associates, November, 1998.

"Retail Competition in the Electric Industry: The Impact on Prices," presented at the 18th Annual Bonbright Center Energy Conference, Atlanta, Georgia, Sept. 10, 1998.

Potential Economic Impacts of Restructuring the Electric Utility Industry, co-author, published by the Small Business Survival Committee, Washington, DC, November, 1997.

"How Deregulation Will Affect Power Quality and Energy Management," presented at the Power Quality and Energy Management Conference co-sponsored by Entergy and EPRI, New Orleans, LA, Nov. 14, 1997.

"Deregulation of the Electric Industry," *Proceedings: National Business Energy Forum*, June 26, 1997, New Orleans, LA.

"A Different View of the Market," presented at the Southeastern Electric Exchange Conference, June 25, 1997, Charlotte, N.C.

"Restructuring The Electric Utility Industry: Theory vs. Reality," presented at the American Bar Association Restructuring Conference, Raleigh, NC, Dec. 5, 1996.

"Restructuring: The Best Approach for Virginia," presented at the Virginia State Corporation Commission Electricity Restructuring Forum, Charlottesville, VA, Nov. 15, 1996.

"Alternative Rate Making for the Natural Gas Industry: State Issues," presented at the Tenth Annual NARUC Biennial Regulatory Information Conference, Columbus, Ohio, Sept. 12, 1996.

"RetailCo: To Regulate or Not?" presented at the 9th Annual Automatic Meter Reading Symposium, New Orleans, La., Sept. 10, 1996.

"Convergence: The Competitive Revolution Comes To Electric Power," presented to the Southeastern

Association of Regulatory Commissioners Annual Convention, Point clear, Alabama, June 4, 1996.

"Stranded Assets Recovery Issues," presented at the Western Electric Power Institute: Financial Forum, Tucson, Arizona, March 8, 1996.

"The Deregulation of the Electric Utility Industry : Current Status," presented at the North Carolina Economic Developers Association Midwinter Conference, Pinehurst, N.C., February 23, 1996.

"Performance Based Regulation for The Natural Gas Industry," panelist on Southern Gas Association's Televised Regulatory Forum, Dallas, Texas, Jan. 18, 1996.

"Industry Structure Should Meet Stakeholder Objectives," *Electric Light and Power*, Jan., 1996.

"Quantifying the Value of Stranded Investment: A Dynamic Modeling Approach," *Proceedings: Implementing Transmission Access and Power Transactions Conference*, Denver, Colorado, Dec. 14, 1995.

"Quantifying the Value of Stranded Investment: A Dynamic Modeling Approach," at the 15th Annual Bonbright Center Electric and Natural Gas Conference, October 9-11, 1995, Atlanta, Georgia.

Comments to FERC in the matter of Notice of Proposed Rulemaking on Open Access, Docket No. 95-9-000, 1995.

"The Road to Competition for Re-Regulated Industries," presented at the 1995 PROMOD users Forum, St. Petersburg, Florida, May 1, 1995.

"Comparing New York State Electric and Gas Corporation's Non-Utility Generator Payments to Current Avoided Cost Rates," report submitted in support of affidavit filed before FERC in Docket No. EL 95-28-000.

"A Solution To The Transmission Pricing and Stranded Investment Problems" *Public Utilities Fortnightly*, January 1995.

JULIUS A. WRIGHT, PH.D.

"Electric Utility Competition: The Winning Focus," presented at 1994 Southeastern Electric and Natural Gas Conference, Atlanta, Georgia, October 1994.

"*Gas Integrated Resource Planning: The Niagara Mohawk Experience*," for Martin Marietta Energy Systems, Inc., under contract to the United States Department of Energy, ORNL/SUB/93-03369.

"Future Regulation In the Water Industry - Can We Solve the Problems Before They Happen?" *Water*, Vol. 29, No. 2, pp. 14-17, Summer 1988.

"The Regulatory Process - Historical and Today," presented at Carolina Power and Light Company's IRP Public Participation Committee Seminar, June 1994.

"The Regulatory Role In DSM: Who Pays?" presented at Carolina Power and Light Company's IRP Public Participation Committee Seminar, June 1994.

"The Regulatory Process In North Carolina," North Carolina Telephone Association, June 1991.

Testimony

Presented testimony before the North Carolina Public Utilities Commission on behalf of SCANA Corporation regarding issues related to market power in its merger with Public Service Company of North Carolina, Docket No. G-5, Sub 400; G-3, Sub 0.

Presented testimony before the South Carolina Public Service Commission on behalf of South Carolina Pipeline Corporation regarding issues related to its annual review of gas costs as reflected in its purchase gas adjustment charge, Docket No. 1999-007-G, September, 1999.

Presented testimony before the Arkansas Public Service Commission on behalf of Entergy Arkansas, Inc. regarding regulatory policies related to the definition of public utilities as it impacts citing requirements of non-utility owned generating facilities, Dockets No. 98-337-U, March 9, 1999.

Presented Rebuttal and Surrebuttal testimony before the Louisiana Public Service Commission on behalf of Entergy Louisiana, Inc. and Entergy Gulf States

regarding regulatory policies related to stranded cost recovery and on the issue of whether investors have been compensated for the risk of not recovering stranded costs, Dockets Nos. U-22092SC and U-20925, September, 1998.

Presented testimony to the South Carolina Public Utility Commission for South Carolina Pipeline Corp. related to acquisition adjustments and regulatory policies related to performance based regulation, Docket No. 90-588-G, June, 1998.

Testified before the Mississippi Public Service Commission on issues related to the establishment of retail electric competition, including ISO establishment, regional power exchanges, legislation, taxes and regulatory policies, April 16, 17, 1997.

Support of Transition Proposals filed by Virginia Power Corporation, March, 1997.

Entergy Arkansas testimony in support of Transition to Competition Filing, 1997.

Entergy Louisiana testimony in support of Transition to Competition Filing, 1997.

Support of Performance Based Regulation for GTE South Inc., Docket No. P-19, Sub 277, before the North Carolina Utility Commission, filed Nov. 22, 1995.

Stranded Cost Regulatory Policy and Recovery Testimony before the South Carolina Public Service Commission, the Commission approved the request Dr. Wright was advocating, Docket No. 95-1000-E, October 27, 1995.

Performance based rate making mechanism and rate levels, testimony on behalf of South Carolina Pipeline Corporation, Docket No. 90-588-G, filed August 3, 1995.

Prudence Review of Power Resource Planning for Central Vermont Public Service Company, Docket No. 5724, September 7, 1994.

Rebuttal testimony on behalf of Central Vermont Public Service Company, Docket 5724, September 7, 1994.

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Surrebuttal testimony on behalf of Central Vermont
Public Service Company, Docket No. 5724,
September 9, 1994.

Education

Dr. Wright received a Ph.D. in Economics from North Carolina State University, focusing on regulatory and environmental economics, and is a member of the honor society.

He received an MBA in finance from Georgia State University in 1978, graduating with honors.

He received a Master of Economics from North Carolina State University in 1991 and was a member of the honor society.

He received a B.S. in Chemistry from Valdosta State College in Valdosta, Georgia, graduating Magna Cum Laud.

In addition, he has completed the Michigan State University Regulatory Course, several other NARUC courses on regulation, been an instructor on regulatory issues at several NARUC courses, completed management courses at Corning Glass and financial seminars at Bank Boston and Merrill Lynch dealing with regulation.